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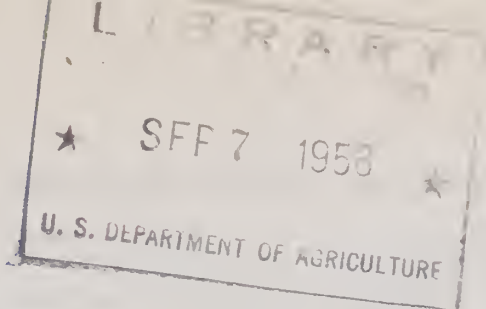
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The

DEMAND and PRICE SITUATION

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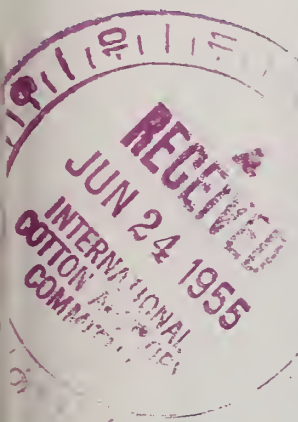
Approved by the Outlook and Situation Board, June 17, 1955

SUMMARY

Economic activity continues to set new records. With increasing employment, a longer work week and rising wage rates, the flow of income to consumers is being increased month by month. Consumer income, after taxes, has increased some 10 billion dollars, or about 4 percent over the level of last summer. Retail sales, augmented by increasing use of consumer credit, are running so far this year about 8 percent higher than a year earlier. Sales at food stores have increased 6 percent.

Prices received by farmers have continued relatively stable since the beginning of the year at a level slightly above that of last fall. They averaged about 5 percent lower in January-May of this year than in the same period a year ago. The parity ratio, though also down from a year earlier, has held stable so far this year at about 87 percent. Cash receipts from farm marketings in the first 5 months of 1955 averaged 3 percent less than in the January-May period 1954. Receipts from livestock and livestock products were down 7 percent while crop receipts were slightly higher.

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ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1954		1955			
		Year	May	Feb.	Mar.	Apr.	May
Industrial production ^{1/}							
Total.....	1947-49=100	125	125	133	135	136	138
All manufactures.....	do.	127	126	134	136	138	140
Durable goods.....	do.	137	136	147	148	150	153
Nondurable goods.....	do.	116	117	121	124	125	126
Minerals.....	do.	111	111	123	121	120	120
Total outlay for new construc- tion ^{2/}	Million dollars	37,170	3,114	3,451	3,442	3,498	3,512
Residential.....	do.	13,450	1,104	1,345	1,350	1,366	1,350
Total civilian employment ^{3/}	Million	61.2	61.1	59.9	60.5	61.7	62.7
Nonagricultural.....	do.	54.7	54.3	54.9	54.8	55.5	55.7
Unemployment.....	do.	3.2	3.3	3.4	3.2	3.0	2.5
Income:							
Nonagricultural payments ^{2/4/}	Bil. dol.	270.7	269.7	276.2	278.9	279.9	
Production-worker payrolls ^{5/}	1947-49=100	137.7	134.6	144.4	146.6	146.5	149.7
Weekly earnings of production- workers in manufacturing ^{5/}	Dollars	71.65	71.13	74.74	75.30	74.77	76.11
Durable.....	do.	77.01	76.21	80.56	81.56	80.97	82.98
Nondurable.....	do.	64.58	63.91	66.36	66.70	65.91	66.98
Prices:							
Wholesale prices, all com- modities ^{5/}	1947-49=100	110	111	110	110	110	110
Commodities other than farm and food.....	do.	114	114	116	116	116	116
Farm.....	do.	96	98	93	92	94	91
Food, processed.....	do.	105	107	103	102	102	102
Prices received by farmers ^{6/}	1910-14=100	249	255	244	243	247	244
Crops.....	do.	243	246	244	243	252	255
Livestock and products.....	do.	255	263	245	243	242	234
Prices paid, interest, taxes and wage rates ^{6/}	1910-14=100	281	284	283	284	284	282
Items used in living.....	do.	274	276	271	273	274	274
Items used in production.....	do.	252	256	256	256	254	251
Parity ratio.....		89	90	87	86	87	87
Consumer price index ^{5/}	1947-49=100	115	115	114	114	114	
Food.....	do.	113	113	111	111	111	
Government purchases of goods and services ^{2/ 7/}	Billion dollars	77.5			74.7		
Federal (less Government sales).. State and local.....	do.	50.0			45.9		
	do.	27.5			28.8		

Annual data for the years 1929, 1932 and 1935-54 appear on page 41 of the April 1955 issue of The Demand and Price Situation.

^{1/} Federal Reserve Board.

^{2/} U. S. Department of Commerce.

^{3/} Bureau of the Census.

^{4/} Monthly totals seasonally adjusted at annual rates.

^{5/} U. S. Department of Labor, Bureau of Labor Statistics.

^{6/} U. S. Department of Agriculture, Agricultural Marketing Service.

^{7/} Quarterly totals seasonally adjusted at annual rates.

Revised series.

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Industrial output increased slightly in May to a level slightly above the record rate attained in 1953. Output of the Nation's factories and mines has increased more than 12 percent since last fall. Automobile output, residential building, steel mill activity, and production in other related industries reflect the strong consumer market as well as the increase in business investment demand. Sizable gains in employment and an increase in the number of persons working more than 35 hours per week were reported in April and May. Unemployment declined by nearly one-half million to 2.5 million workers in May, the lowest since December 1953.

Production, employment, and consumer incomes are expected to continue high in coming months, even though auto output declines seasonally and residential building levels off. Plans of businessmen call for substantial increases in expenditures for new plant and equipment for the second and third quarters. Investment intentions reported to the Securities and Exchange Commission and the Department of Commerce in April and May indicate that capital outlays for the third quarter will be a tenth above first quarter rates for manufacturing, non-rail transportation, and commercial companies. Even larger relative increases are planned by railroad, public utility, and mining companies.

Prices in general have averaged relatively steady near levels prevailing over the past year. Although consumers and businessmen have increased their buying in recent months, output also has increased rapidly. At the beginning of the expansion in economic activity last fall inventories of some products were excessive and many industries were operating below capacity. These conditions prevented any material pickup in the general level of prices. Retail prices in recent months averaged slightly lower than a year earlier with prices of apparel, food and transportation lower. Wholesale prices average near levels a year earlier. Slightly higher average prices for industrial products offset lower prices at wholesale for processed food and farm products.

Commodity Highlights

Meat production continues above a year ago; the increase is largely in pork. At mid-June prices of cattle and calves were close to a year ago. Hog prices have been increasing seasonally and further increases are expected before the mid-summer peak is reached.

Consumption of milk and dairy products continues above a year earlier. Prices to farmers for milk and butterfat probably will at least equal the average of a year ago during the rest of 1955. Milk production this year is expected to be about the same as in 1954.

Broiler prices through early June continued well above a year ago. Record numbers of broilers are expected to be available for slaughter in August. Egg production by next winter may be about 5 percent below last winter. On June 1, the number of young chickens being raised on farms for laying flock replacement was 18 percent below 1954.

Soybean exports continue at a record rate, totaling 46 million bushels during the October-May period. Supplies of lard are considerably greater than a year ago and prices are well below those for the edible vegetable oils.

Corn prices have strengthened since early April and probably will remain firm through the summer. But feed prices will continue lower this summer than last, if prospects are favorable for 1955 crops. Growing conditions through early June were generally good for feed crops.

The winter wheat crop as of June 1 was forecast at 639 million bushels. The first estimate of spring wheat as of that date was 206 million bushels. Since late May, wheat prices have been adjusting downward to lower loan rates and new crop movement; they are still above a year ago.

Growing conditions in June for most deciduous fruits for harvest after mid-summer indicate supplies at least as large as in the late summer and fall of 1954. Supplies of fresh oranges and canned and frozen orange juice will be larger this summer than last.

Commercial production of important vegetables for fresh market sale this summer is expected to be about 7 percent larger than a year earlier, according to June 1 indications. Early June growing conditions pointed to an early-commercial potato crop for summer harvest more than 20 percent above a year earlier, but below average.

Cotton prices continued close to support levels during May and early June. The minimum loan rate for 1955 crop Middling, 15/16 inch cotton, at average location, will be 33.50 cents per pound compared with 33.23 cents for the 1954 crop.

Mill use of wool in the first 4 months of 1955 was 10 percent above a year earlier. During April, consumption of apparel wool was up 5 percent and mill use of carpet wool was up 13 percent above April 1954.

Due primarily to the sharp reduction in allotments, the 1955-56 total supply of Burley tobacco may be about 5 percent below 1954-55. Supplies of flue-cured for 1955-56 will probably be a little larger than for 1954-55.

GENERAL BUSINESS CONDITIONS

Economic activity continued upward into the second quarter with production, employment and consumer incomes running above first quarter rates. Output of mines and factories rose further in April and May with industrial production in May slightly above the peak levels of mid-1953. Scheduled output of automobiles for June points to some seasonal reduction, but auto production in the second quarter probably will total around the very high rate of earlier in the year. New car stocks are mounting but sales remain high. Construction activity continues to advance though the rate of new housing starts so far in the second quarter is down slightly from first quarter rates. Employment, which had been slow to reflect the pickup in economic activity, is now rising more than seasonally and a further rise is expected during the summer. Capital expenditures by business firms in the second quarter, according to a recent Government survey of business intentions, will be up nearly 9 percent above the first quarter and a further increase of more than 3 percent is anticipated for the third quarter. The decline in inventory investment has been halted but there has been no marked rise, except for some accumulation of dealers' stocks of new cars. With increased sales the ratio of stocks to sales has been declining. Average wholesale and retail prices hold at about the levels of the past year.

Consumer Income and
Spending Advance

Consumer income available after taxes rose further during April and May from the first quarter annual rate of 261 billion dollars. Income payments before taxes in May were at an annual rate of about 296 billion dollars, up 3 billion from the first quarter rate and some 10 billion above May a year ago. Consumer income is expected to rise further in coming months. Wage increases are anticipated in a number of large industries and some further expansion in employment is in prospect.

Retail Sales
Advance Further

Retail sales in April and May were at a rate slightly above the first quarter with sales by both durable and nondurable goods stores registering increases. Food store sales in April and May were down slightly after seasonal adjustment and furniture and appliance sales held steady around the first quarter level. Department store sales, after declining during the first quarter, advanced sharply and in April and May were maintained at a level about 3 percent above the first quarter and some 8 percent above a year earlier.

Table 1.- Retail sales for specified groups, January-April 1954 and 1955 with percentage change, adjusted for seasonal variation

Group	<u>January-April average</u>		Percentage change 1954 to 1955
	<u>1954</u>	<u>1955</u>	
	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Percent</u>
Total retail sales.....:	13,934	14,984	7.5
Durables.....:	4,730	5,334	12.8
Automotive group.....:	2,563	3,052	19.1
Furniture and			
appliances.....:	774	822	6.2
Lumber, building, and			
hardware.....:	810	867	7.0
Nondurables.....:	9,204	9,651	4.9
Apparel group.....:	852	879	3.2
Food group.....:	3,376	3,565	5.6

Retail sales in the first 4 months of this year, after seasonal adjustment, totaled nearly 8 percent above the corresponding period a year earlier. Most of the increase was in purchases of durable goods, particularly automobiles and automotive products which totaled about a fifth above a year earlier. Purchases of new cars have been at a very high rate since the beginning of this year. Sales totaled 513,000 units in January then rose to 560,000 in February and nearly 700,000 in March. During the March-May period new car sales have held steady around 700,000 units a month. Dealers' stocks at the end of May were a little larger than a year earlier and about equal to one month's sales. Retail sales of household appliances and building materials also rose from a year earlier, reflecting the substantial increase in residential building activity.

Table 2.- Passenger car output, sales and dealers' inventories for 1954 and estimates for 1955 with percentage change

	: 1954 :	: 1955 :	: Percentage
	: 1,000 cars	: 1,000 cars	: change
	: <u>1,000 cars</u>	: <u>1,000 cars</u>	: <u>Percent</u>
Average stocks, January 1.....:	520	405	- 22.1
Production, January-May.....:	2,441	3,608	47.8
Retail sales, January-May.....:	2,265	3,169	39.9
Stocks, June 1.....:	638	705	10.5
Stock-sales ratio, June 1.....:	1.3	1.0	--

Total consumer credit outstanding at the end of April rose to a record 31 billion dollars, about 9 percent above a year earlier. Volume changes in the different types of credit have shown about the usual seasonal pattern except for automobile paper which has been rising steadily and at an increasing rate since last December. Automobile paper outstanding in April amounted to 11.5 billion dollars, compared with 10 billion a year ago. Automobile credit outstanding increased by 429 million dollars during April compared with only 23 million during April 1954. Credit outstanding has increased a little more rapidly than income over the past year and relative to income is around peak levels.

Construction Activity at Record;
Home Building Levels Off

Total outlays for new construction in May were 8 percent above April and 13 percent above a year earlier. Expenditures during the first 5 months of this year totaled 15 percent higher than the corresponding period of 1954. Residential and commercial construction outlays accounted for most of the increase over last year with gains of 33 and 31 percent. These increases reflect primarily high incomes, relatively easy financing terms and population shifts.

Private residential building activity increased about seasonally from April to May. In May the value of residential construction, hit a new peak of 1.4 billion dollars for the month, 23 percent above a year ago. But the annual rate of housing starts has declined slightly from the high rate in the first quarter. New starts in April and May were at a seasonally adjusted rate of 1.3 million units per year, compared with an average of 1.4 million in January-March. Housing is apparently becoming plentiful in some areas. FHA mortgage commitments on speculative construction have been temporarily suspended in 26 metropolitan areas until output of new houses has been better absorbed. The rent component of the Consumer Price Index declined slightly in May for the first time since 1942 with a rise in the vacancy rate in a number of cities.

Businessmen Step Up
Investment Plans

Businessmen have affirmed their optimism for the future by programming substantial increases in expenditures for new plant and equipment in the second and third quarters of this year. These plans are based on a survey of business intentions in April and May reported to the Securities and Exchange Commission and the Department of Commerce. Anticipated investment outlays for the third quarter exceed record expenditures in the latter half of 1953 and are more than 12 percent above the reduced first quarter rate. These plans indicate somewhat higher investment outlays than reported earlier this year. This apparently reflects the rapid expansion in economic activity in recent months with increased production, employment and income; a termination of the decline in business inventories; and the pickup in manufacturers' orders for a wide range of goods.

All major industries are scheduling sizable increases in capital investment through the third quarter. The largest expansion from first quarter rates is anticipated for steel, nonferrous metals and transportation equipment industries except motor vehicles. These groups had experienced the largest relative cutbacks from previous high investment rates. Among producers of nondurable goods, expanding investment programs are in prospect for such industries as paper and paper products, chemicals and petroleum products. Commercial companies and electric power and gas companies also anticipate increases in investment outlays.

Commercial Construction Still Rising

Investment by business firms in industrial and commercial construction continues to climb. Although the most striking gains have been in building of stores, restaurants, and garages, construction of industrial facilities has also increased. Commercial construction during January-May was 31 percent higher than a year ago. Industrial construction increased 8 percent over the same period. The upsurge in commercial construction largely represents a greater need for facilities created by the boom in residential housing and migration to suburban areas. Business investment plans suggest that industrial construction will continue to increase moderately in coming months. Commercial construction activity is also expected to continue high.

Inventories Rising Slowly

Business investment in inventories has been increasing very slowly since the long decline came to a halt early this year. However, with sales volume rising steadily, stock-sales ratios are declining. At the end of April manufacturing stocks were 1.7 times April sales compared with 1.9 a year earlier and 1.8 in April 1953. Retail sales have risen but stocks at the retail level have been maintained at a fairly constant level so far this year, due largely to slowly mounting inventories of new autos in the hands of dealers. Apparently the rapid sales recovery has prevented any substantial build up in retail stocks. With manufacturers' new orders increasing in recent months and retail sales still climbing, it is likely that inventory demand will become a significant factor in sustaining output and employment in the months ahead.

Government Demand Rising Slightly

Government spending for goods and services increased slightly in the first quarter reflecting the continued rise in outlays by State and local Governments. Little change is expected in total Government expenditures for goods and services though the uptrend in spending by State and local Governments is expected to continue.

Public construction activity is expected to advance further. Nonresidential public building so far this year is about 4 percent below a year ago but May was 3 percent above April and further increases are probable. The most striking gains so far this year have been in highway construction, up 8 percent, and sewer and water works, up 11 percent, from the first 5 months of last year.

Industrial Output and Employment

Production of factories and mines during May rose slightly above the record levels of the spring of 1953. The Federal Reserve Board's index of industrial production rose to 138 (1947-49=100), one point above the peak months of May and July 1953 and more than 12 percent above the low of 123 in August 1954.

Output of durable goods rose about 2 percent from April to May, due primarily to further increases in production of steel, household appliances, metals and building materials. Steel mills were operating near 97 percent of capacity in May compared with nearly 95 percent in April. Mill orders reportedly are filled through the third quarter. Auto output fell to about 725,000 units in May from 754,000 in April. Production of nondurable goods increased a little reflecting small increases in paper, textiles, and chemical and petroleum products.

Table 3.- Index of industrial production, specified groups, first and second quarters 1954 and 1955 with percentage change, adjusted for seasonal variation

(1947-49=100)

Group	1954		1955		Percentage change 1955 from 1954	
	I	II	I	II	I	II
					Percent	Percent
Industrial production.....	124	124	133	137	7	10
Durable goods.....	138	135	147	152	7	13
Primary metals.....	108	106	131	141	21	33
Nondurable goods.....	114	116	122	126	7	9
Consumer durable goods.....	112	118	135	144	21	22
Autos.....	133	140	170	190	28	36
Major household goods.....	109	119	135	142	24	19

1/ Preliminary data based on April and May.

Manufacturers' Orders
Hold at High Level

Manufacturers' new orders showed a slight decline in April, after adjustment for seasonal variation, following a sharp spurt upward in the previous month. April orders were 4 percent above January and 16 percent above a year earlier. The decline in April was due to a falling off in orders in durable goods industries which showed the largest increase in March. Orders for nondurable goods continued to advance, rising about 2 percent during April.

Manufacturers' sales continued to rise at a moderate rate in April. Sales for nondurable goods rose about $1\frac{1}{2}$ percent but were unchanged for durable goods. The index of freight carloadings at the end of May was at the highest level since October 1953. Sales of wholesale dealers, seasonally adjusted, declined 1 percent during April. The decline was in nondurable goods; durable goods sales held firm.

Employment Rises;
Fewer Unemployed

Employment rose to 62.7 million during May, one million above April and about 1.5 million above a year ago. Non-agricultural employment totaled 55.7 million, up 270,000 over the month. Most of the rise was due to a seasonal expansion in agricultural and construction employment. However, manufacturing employment rose in both April and May in contrast to the usual seasonal decline. As in the past few months, sharpest increases were in metals and metal fabricating industries. Mining, transportation, trade, finance, and service industries all showed a small rise in employment over April.

Unemployment declined by nearly half a million workers to about 2.5 million in May, the smallest number unemployed since December 1953. The decline from April to May was substantially more than usual. Reduced unemployment reflects the more than seasonal rise in employment. The civilian labor force increased by half a million during the month.

Farm employment rose by around three-quarters of a million workers from April to May. The increase in the number of family workers was small but employment of hired workers increased 30 percent, which is more than usual, from April to May.

The length of the work week in manufacturing industries also rose with the pick up in employment, increasing from 40.2 to 40.7 hours per week in May. The average work week in May was 1.4 hours longer than in May a year ago. Over the past year, the number of workers on full time has increased by almost 2 million; about one third of this rise reflects a shift of workers from part-time to full time.

Commodity Prices

Wholesale commodity prices in early June were down fractionally from the beginning of May. Slight upward movements in the processed foods and meats indexes were offset by a decline in farm products. Prices of nonagricultural commodities also declined slightly.

The sensitive index of 22 basic commodities, on June 7, at 89.6 percent of the 1947-49 average, was 4 points below a year ago. The decline was due largely to lower agricultural prices. Raw industrials and metals were up by 4 percent and 10 percent. Livestock and products were down 17 percent; foodstuffs, 14 percent; and fats and oils, 9 percent; from early June 1954.

The consumer price index in April declined by a fraction of a percent from March to 114.2 (1947-49=100). It was the first change in the index since December 1954. A reduction of 1.6 percent in transportation costs and slightly lower costs for housing and apparel were primarily responsible for the decline. The fall in the housing sub-index was due to lower prices for coal and housefurnishings and a small decline in residential rents. The rent index eased for the first time in 13 years. Cost of medical care continued its long upward climb.

Prices Received and
Paid by Farmers

The index of prices received by farmers fell by 3 points to 244 from mid-April to mid-May, back to the February level, and 4 percent lower than a year ago. Sharp price increases for a number of commercial vegetables and moderate advances in grain prices failed to offset lower prices for beef cattle, strawberries, milk, and eggs. The index of prices received so far this year has held relatively steady around 5 percent below a year ago.

Price reductions for some farm production items lowered the index of prices paid by farmers for commodities, interest, taxes and wage rates (parity index) nearly one percent over the month to 282 in mid-May. The slight reduction was due primarily to a decline in prices paid for feeder livestock and a further slight drop in feed prices. Prices paid for family living items were unchanged from April to May. The prices paid index during the first 5 months of this year averaged 283, the same as in the corresponding period of 1954. The parity ratio has held around 87 so far this year compared with 91 in January-May 1954.

Prices on selected central markets for livestock rose considerably and crop prices generally declined from mid-May to mid-June. At Chicago, hog prices rose nearly 11 percent during the month, slaughter cows were up 6 percent and steers, 2 percent. Midwestern eggs increased 4 percent and broilers at Del-Mar-Va 2 percent. In general, wheat, corn, barley, soybean, and cotton prices were moderately lower. Potato prices (Maine Katahdin at New York) dropped more than 15 percent.

AGRICULTURAL EXPORTS

U. S. agricultural exports in April totaled 210 million dollars compared with 259 million in April 1954. With this decline exports for the first 10 months of the 1954-55 fiscal year totaled 2,636 million dollars, or 9 percent above the same period of the previous year. The Foreign Agricultural Service estimates that exports in May were also below last year, thus making a total for 11 months around 8 percent above a year ago.

During April and May exports were sharply below the previous 9 months average. Declines were registered in grains, cotton, and tobacco. Exports for fiscal year 1954-55 as a whole may be below previous expectations. In part this may be attributed to a lag between exports programmed under Title I of PL 480 and actual shipments under this program. Through June 17 Title I programs for the sale of surplus agricultural commodities to 14 foreign countries amounted to 332 million dollars, export market value. Included in these programs are 46 million bushels of wheat, 651,000 bales of cotton, 59 million pounds of tobacco and 122 million pounds of cottonseed oil. The bulk of these commodities will be shipped after July 1, 1955, and will bolster export values in the 1955-56 fiscal year.

FARM INCOME

Farmers' cash receipts from marketings in the first 5 months of 1955 were approximately 10.2 billion dollars, down 3 percent from last year. Prices of farm products averaged 5 percent below the corresponding period in 1954. Cash receipts from livestock and livestock products totaled around 6.5 billion dollars, 7 percent less than last year's, with much of the decline occurring in receipts from hogs. Crop receipts from January through May were about 3.7 billion dollars, slightly above last year, largely because of increases in receipts from soybeans and potatoes.

Cash receipts from farm marketings in May are tentatively estimated at 1.9 billion dollars, only 2 percent below May of 1954. Receipts from livestock and products in May were about 1.4 billion dollars, 4 percent more than in April because of larger receipts from milk, but 4 percent below a year ago due largely to smaller receipts from hogs. May crop receipts were approximately 0.5 billion dollars, down some from the previous month but nearly the same as in May 1954.

LIVESTOCK AND MEAT

Although declining moderately in recent weeks, meat production continues above a year earlier. The gain is largely in pork. Output is up slightly for beef, veal, and lamb. At mid-June, prices of various grades and classes of cattle, calves, sheep and lambs ranged from a little above to a little below the same period a year earlier. Prices of barrows and gilts, while more than 3 dollars per 100 pounds above the low of last March, were down almost \$4.00 from June 1954.

Price movements for hogs this summer will be largely seasonal. Prices will probably remain at their seasonally higher level during the summer lull in marketings and then decline as usual beginning in late summer.

Prices of fed cattle will probably not change greatly in the near future, when marketings will continue record large, but will likely strengthen later. Prices of grass cattle will probably weaken seasonally as marketings pick up. However, because of recent rains over much of the country, last summer's bulge in grass cattle marketings and the severe early drop in prices are not expected to be repeated this summer.

In recent years lamb prices have reached a seasonal peak late in May or early in June. This year, a May weakness was followed by an increase in June. Some seasonal decline in lamb prices, which almost always occurs, can probably be expected in months ahead.

DAIRY PRODUCTS

Prices to farmers for milk and butterfat will at least equal the average of a year earlier in the remainder of this year. For the first time since late in 1952, prices received by farmers for milk and butterfat in April and May were higher than a year earlier. Retail prices for evaporated milk, ice cream and American cheese continue below those of a year earlier. On the other hand, beginning with April 1955 the retail price of butter and fluid milk has been slightly higher than a year earlier. Both the prices of Class I milk and gross marketing margins on fluid milk are slightly above a year earlier.

Consumption of milk and dairy products continues to show gains over a year earlier. Contributing to this are larger population, higher consumer incomes, special Government programs for distribution of milk and manufactured dairy products to schools and other outlets, as well as the lower retail prices on manufactured dairy items. Continued lower prices and higher consumer income, as well as increased merchandising efforts by various agencies, private and public, probably will result in continued larger consumption through 1955.

Production of milk in May was nearly 1 percent above a year earlier after running between 1 and 2 percent smaller in the first 4 months of the year. In some months during the rest of the year, milk production may exceed that of a year earlier. Serious drought prevailed over much of the country last summer and fall. For the year as a whole, milk production is expected to about equal the 123.5 billion pounds of 1954.

With consumption of dairy products larger, production in the first 5 months of this year slightly lower, and larger stocks being accumulated by private firms this year than last for use in periods of seasonally smaller production, CCC acquisitions have been substantially less than a year ago. With increased distribution from price-support stocks in both domestic and foreign noncommercial channels, holdings of all dairy products by USDA were substantially reduced in the past 12 months.

POULTRY AND EGGS

Egg prices weakened in early June, as production continued seasonally larger than current consumption, and storers of the excess were willing to accept eggs only at lower prices. At country points in Iowa, farmers received 25 to 27 cents per dozen for current receipts compared with 28 cents in early May, and 24 cents in June 1954. June 1 holdings of shell eggs were 2.1 million cases, compared with 1.3 million at the same time last year.

In recent years, the most profitable time for the withdrawal of shell eggs from cold storage has usually been in July, August, or September before stored eggs have seriously deteriorated in quality and when quality of currently-produced eggs may be lowered by summer heat. But this year production of fresh eggs is likely to continue above last year's high levels until August and production on farms will not show its greatest decrease from a year-ago until fairly late in the year. Furthermore, because so many more eggs have been stored this year than last, there is less likelihood of their being entirely consumed before late in the year. By then, stored shell eggs may be saleable only at a sharp discount from fresh eggs.

On June 1, the number of young chickens on farms for laying flock replacement was 18 percent below 1954. By winter, this is likely to result in a laying flock perhaps 7 or 8 percent smaller than last winter. However, if upward trends in rate of lay per bird continue, egg production at that time may be reduced only about 5 percent from a year earlier.

Broiler prices to early June continued well above the year before, and returns were substantially above normal out-of-pocket production costs. On the DelMarVa Peninsula, the weekly average price was 28.1 cents per pound in mid-June, compared with 25 cents a year earlier,

and an average of 22 cents for the entire year 1954. Recent prices have induced record large egg settings and chick placements, which will result in record numbers of broilers being available for slaughter in August. Settings of eggs in incubators in the 3 weeks ending June 11 were 15 percent above a year earlier, and 10 percent above the settings from which June broiler marketings were derived.

Slaughter of turkeys in the early fall of 1955 will be considerably below the year before, because hatchings in the first 4 months of the year were lower than 1954 by 13 percent for heavy-breed birds and 32 percent for light breeds. But May hatchings of heavy breeds were 8 percent above last May, and June 1 numbers of heavy-breed eggs in incubators were 17 percent more than a year earlier. As a result, heavy-breed birds for November-December slaughter may exceed last year. June 1 storage holdings of turkeys were below last year--60 million pounds compared with 69 million last June 1. This difference in storage is equal to about 1 percent of the year's turkey crop. The average price received by farmers in mid-May was 28.4 cents per pound, compared with 31.1 cents in May 1954. However, farmers' marketings in May were still close to the seasonal low point. The May 1954 price did not yet fully reflect the record production of that year, which resulted in an annual average price of 28.8 cents, the lowest since the early 1940's.

OILSEEDS, FATS AND OILS

The U. S. Department of Agriculture announced on June 15th that 1954-crop soybeans taken over under the price-support program will be offered for sale at market prices but not less than 1954 support rates. It is estimated that approximately 10 million bushels of warehouse-stored beans have been taken over. An additional quantity of beans stored on farms may also be taken over at a later date.

Prices of soybeans declined somewhat during the past month. Soybean exports continue at a record rate, totaling about 46 million bushels in October 1954-May 1955, about 9.5 million more than a year ago. Soybean oil prices strengthened from May to June but meal prices declined to the lowest level since World War II price ceilings were removed in 1946.

Edible vegetable oil prices in general have increased, reflecting reduced commercial supplies of cottonseed oil, moderate crushings of soybeans and improved demand. Lard prices are well below those for the edible vegetable oils. Supplies of lard have been substantially greater than a year ago and stocks have increased sharply from the small quantity on hand at the beginning of the present market year on October 1, 1954.

U. S. exports of flaxseed during the past two years have been substantial. However, these sales were from CCC stocks and made at prices below those in the domestic market. Foreign prices for flaxseed have moved up in recent months and U. S. flaxseed has been competitively

priced in the world market. Some U. S. flaxseed was sold commercially for export. CCC is selling flaxseed at a price equivalent to the support level for the 1954 crop.

CORN AND OTHER FEED

With large supplies of feed grains on hand relative to consumption and with lower demand for purchased feeds, prices of most feeds have been lower this spring than a year ago. Feed grain prices have been only moderately lower, but high protein feeds averaged 27 percent lower in May than a year earlier. Corn prices have strengthened since early April, and probably will continue firm this summer, because a large part of the big stocks on hand are under loan or owned by CCC. Prices of oats and barley are expected to decline seasonally as 1955 crops are harvested this summer. Feed prices probably will continue lower this summer than a year earlier, if prospects continue favorable for 1955 crops.

Corn prices have been well below the 1954 support level so far this season. But with many farmers not eligible for price support, only 216 million bushels had been placed under loan and purchase agreement through May 15, compared with 406 million in the same period of 1953-54. The 1955 national average support rate for corn has been announced at not less than \$1.58 per bushel, 4 cents lower than in 1954. The price support for 1955 oats is 61 cents per bushel--14 cents lower; barley 94 cents per bushel--21 cents lower; and sorghum grain \$1.78 per cwt.--50 cents lower than last year.

A record carryover of feed grains is in prospect for 1955-56, probably around a fifth larger than the big carryover of 32 million tons last year. With a near average growing season, this will mean another big supply of these grains in 1955-56. Growing conditions through early June have been generally good for feed crops, especially in the northern half of the country. Corn planting was virtually completed at an early date in the main corn belt and the early growth of corn and other feed grains has made good progress. Pastures on June 1 were in the poorest condition in 16 years, a little below a year ago. The June 1 hay condition was also a little lower than a year earlier when 104 million tons were produced.

WHEAT

The United States 1955 wheat crop is now estimated at 845 million bushels, 13 percent below the 1954 crop of 970 million bushels. The winter wheat crop was forecast at 639 million bushels as of June 1 and the spring wheat crop at 206 million bushels. This decline from last year reflects a reduction in acreage resulting from acreage allotments and marketing quotas, and abandonment of winter wheat acreage. The total crop is probably less than prospective domestic use plus exports during the next 12 months. As a result, the carryover on July 1, 1956 is

expected to be reduced from the record stocks in prospect for July 1 this year. Domestic disappearance and exports, for the current marketing year indicate a carryover of about 1,030 million bushels for July 1, 1955. The official estimate of the stocks of old crop wheat will be released July 23. It is expected that the bulk of the carryover will be held by the CCC.

Cash wheat prices at Minneapolis and Kansas City were at or near the high of the season in late May, but have since been adjusting downward seasonally.

On May 13 a national wheat allotment of 55 million acres for 1956 was announced, and June 25, 1955 was set as the date for a national referendum among wheat growers to decide whether quotas will be in effect for the 1956 crop. The national average support price for the 1956 crop was announced on June 10 at not less than \$1.81 per bushel, if quotas are approved in the referendum. This reflects 76 percent of the estimated parity level. If quotas are not approved, the available support level, under present legislation, will be at 50 percent of parity, or about \$1.19 a bushel on the basis of present parity. The full support levels will be available in commercial wheat States for those who comply with their individual farm acreage allotments. Support rates in the 12 non-commercial wheat States are set by law at levels representing 75 percent of the rates for commercial areas. The minimum support announced will not be lowered, but it will be raised if a combination of changes in parity value and the supply situation calls for an increase on July 1, 1956.

FRUIT

Demand for 1955-crop deciduous fruit is expected to be a little stronger than that for the 1954 crop. Fresh market supplies of such early-season fruits as sweet cherries, strawberries and apricots are expected to be much larger in late June and July than in this period of 1954. Supplies of fresh plums and grapes also may be larger. In contrast, supplies of fresh peaches, coming almost entirely from California this year, will be much smaller and prices are likely to be higher. Growing conditions in June for most deciduous fruits for harvest from mid-summer on pointed to supplies about as large as in the late summer and fall of 1954.

Because of the larger crop of California Valencia oranges this year, more fresh oranges are expected to be available this summer than last. Supplies of canned and frozen orange juice probably will be a little larger, while supplies of other citrus juices may be smaller. Remaining supplies of lemons are lighter. Retail prices for canned and frozen orange juice are not likely to be greatly different from those of last summer.

Production of frozen orange concentrate in Florida by June 4 of the 1954-55 season was over 61 million gallons, nearly 3 million under output a year earlier. However, it is expected that at least part of this difference will be made up in June from the remaining supplies of oranges, which

were larger on June 1 than a year earlier. Also, raw fruit yields are somewhat greater than last year. Moreover, stocks of frozen orange juice in cold storage June 1, 1955 were 4 percent larger than on that date in 1954. With movement into the distributive trade and consumption continuing larger than a year ago, carryover stocks next fall should be down to a good working basis. In Florida, the pack of canned citrus juices by June 4, 1955 was 17 percent below a year earlier. Stocks were 9 percent smaller.

Cold-storage holdings of frozen deciduous fruits and berries (excluding juices) on June 1, 1955 were about 209 million pounds, 5 percent larger than a year earlier. With heavy production of frozen strawberries in California in May, stocks of this fruit gained nearly 9 million pounds that month to a total of 49 million, 16 percent under a year earlier.

COMMERCIAL VEGETABLES FOR FRESH MARKET

The demand for fresh vegetables is expected to continue at a high level in the near future, and large supplies are in prospect for this period. Based on growing conditions on June 1, indications are that total production of important vegetables for sale in early and midsummer will be much larger than a year earlier and the corresponding 1949-53 average. Moderate to substantial increases over last year are in prospect for the early-summer crops of cantaloups, celery, sweet corn, cucumbers, honey dew melons, tomatoes, and watermelons. The early summer output of snap beans, cabbage and onions is expected to be close to those in early-summer 1954, but a moderate decline is in prospect for green peppers and sharper reduction for carrots. Indications also point to a 6 percent larger midsummer cantaloup crop this year than last. A moderately smaller crop of lettuce is expected this summer, but that of beets will be at least as large.

POTATOES AND SWEETPOTATOES

Potato prices at important shipping points moved downward during the latter part of May and early June as marketings of the late spring potato crop got underway. The weekly carlot movement of 1955-crop potatoes was lower than a year earlier through about mid-May, but larger in the weeks that followed. The late-spring crop is expected to total 38,858,000 bushels, 14 percent above a year earlier but 5 percent below the average for 1944-53. The prospective larger output in California this year than last, due to the substantially increased acreage and yields, much more than offset expected reductions in the southeastern and south central States.

Growing conditions as of June 1 pointed to an early-commercial potato crop for summer harvest of 16,437,000 bushels. This is more than 20 percent larger than that of a year earlier, but below average by about

the same percentage. The increase over last year results principally from the larger crops in prospect in the major producing States—Virginia, Delaware, Texas and New Jersey. In the latter 3 States both the indicated acreage for harvest and prospective yields exceed those in 1954; in Virginia, acreage is up but yields may be lower. Although most of the early-commercial summer potatoes will be marketed during July, shipments from growing areas in eastern Virginia will be heavy in the latter half of June, when marketings of the late-spring crop will be at the seasonal peak.

Prices received by farmers for sweetpotatoes have been higher than a year earlier in every month since last December, and the third highest of record for each month. With the 1954-crop marketing season coming to a close, prices are expected to continue at a near-record level until shortly after mid-year, when supplies from the 1955 crop begin moving to market.

COTTON

The supply of cotton in the United States in 1954-55 is estimated at about 23.5 million bales, compared with 22.1 million bales in 1953-54. The 1954-55 supply has been exceeded only by the 1939-40 total of 24.6 million.

Disappearance for 1954-55 is estimated to be close to 12.5 million bales, including domestic mill consumption of about 8.8 million. If exports continue at the reduced levels of March and April they may total for the year somewhere around 3.5 million. Disappearance in the preceding season was 12.4 million bales, including domestic mill consumption of 8.6 million bales and exports of 3.8 million.

The carryover on August 1, 1955 is estimated at about 11 million bales. This would compare with the 11.2 million bales of 1945, the largest in the postwar period to date and with 9.7 million on August 1, 1954.

U. S. financial aid authorized for use for cotton exports in the fiscal year 1954-55 totaled about 350 million dollars as of June 7. If all of these funds are used, they will finance the export of about 2 million bales. In 1953-54 about 298 million dollars of such aid were used which financed the export of about 1.6 million bales.

Some of the 1954-55 funds may not be utilized in the current season. Those not used may be carried over for use in 1955-56. In addition, Foreign Operations Administration procurement authorizations and agreements and purchase authorizations under Public Law 480 for use in 1955-56 amounted to about 165 million dollars as of June 7. These funds will finance the export of about 900 thousand bales.

The U. S. government has helped finance cotton exports by various programs over the past 15 years. For the fiscal years 1949-50 to 1953-54 the proportion of U. S. cotton exports receiving some form of government financial aid has averaged about 45 percent.

Prices for foreign growths were at about the same level as prices for U. S. cotton during the first half of the current season. However, prices for foreign growths have declined in recent months and in April and May were generally below those for comparable qualities of American upland cotton.

Cotton prices continued to be close to support levels and below a year earlier during May and the first few days of June. On June 1 the quality differentials for the CCC loan on the 1955 crop were announced. The minimum loan rate for Middling, 15/16 inch cotton at average location will be 33.50 cents per pound. This compares with 33.23 cents for the 1954 crop.

Starting with October 1956 the base quality for futures contracts will be increased from Middling, 15/16 inch to Middling, 1 inch.

WOOL

Prices of most wools in foreign markets and at Boston early in June were about the same as a month earlier. Prices for fine wools ranged up to 20 percent lower than a year earlier, but those for cross-breds were only slightly lower.

CCC acquired title to 45 million pounds, actual weight, of wool under the 1954 price support program. This brought total CCC holdings as of mid-May to 153 million pounds. At the January-April rate of mill consumption, these holdings would be equivalent to about 3 months of mill use. Until November 1, minimum selling prices for these holdings will be equivalent to 103 percent of 1954 loan rates plus selling commissions.

Mill use of wool in 11 of the major consuming countries during the first quarter is estimated by the Commonwealth Economic Committee to have been up 2 percent from a year earlier and up 3 percent from the fourth quarter of 1954. Changes from a year earlier for individual countries ranged from an increase of 32 percent in Canada to a decline of 17 percent in Italy. Consumption of other fiber by the wool textile industries of these countries was up 5 percent from a year earlier.

Mill use in the United States during January-April was 10 percent above a year earlier, with apparel wool use up 11 percent and carpet up 6 percent. The rate of consumption of apparel wool during April was about 5 percent above a year earlier, while mill use of carpet wool was 13 percent higher. The rate of mill consumption of both has been above a year earlier each month beginning with last October.

TOBACCO

Domestic consumption of flue-cured, the leading cigarette tobacco, during the July 1954-June 1955 marketing year seems likely to be slightly less than a year earlier. Some flue-cured exports that were expected to move out by June 30 have been delayed so that the 1954-55 total seems likely to be only slightly above 1953-54. Exports of flue-cured will account for about 35 percent of its 1954-55 disappearance and over four-fifths of total tobacco exports.

Georgia-Florida flue-cured auction markets usually open in the latter part of July. For flue-cured tobacco as a whole, acreage is smaller this year than last. However, carryover on July 1 is likely to be around 5 percent above a year earlier and the 1955-56 total supply probably will be a little larger than for 1954-55. The minimum level of price support for flue-cured is 48.3 cents per pound--slightly above last season's support level.

Due mainly to the sharp reduction in burley allotments, the 1955-56 total supply of burley may be down about 5 percent from the very high 1954-55 figure. The total supplies of fire-cured, dark air-cured, and the cigar types seem likely to be lower than for 1954-55. The minimum levels of price support for the 1955 crops of these types are close to the price supports for the 1954 crops. In every instance, the differences from 1954 supports are less than three-fourths of a cent per pound and mostly less than one-half cent.

In the year ending June 30, 1955, total leaf tobacco exports are expected to total a little more than the 512 million (farm sales weight) in 1953-54. Tobacco exports may increase further in 1955-56. Some of this will be due to operations under the Agricultural Trade Development and Assistance Act, which provides for the acceptance of foreign currencies for surplus agricultural products under certain conditions.

Cigarette output during the fiscal year ending June 30, 1955, is estimated at 406 billion--about 2 percent lower than in 1953-54. Cigar consumption in 1954-55 is estimated at about 6,055 million, slightly lower than in 1953-54. The current fiscal year output of smoking tobacco estimated at 84 3/4 million pounds is 2 percent greater than 1953-54. Chewing tobacco output in 1954-55 probably will be around 81 million pounds--2 percent less than a year earlier--and output of snuff, estimated at about 38.8 million, is nearly unchanged from 1953-54.

Auction market and Baltimore hogshead market sales of 1954 crop Maryland tobacco totaled a little over 20 million pounds from early May through June 17--about 47 percent of the crop. Auction prices averaged 44 cents--about 12 cents lower than in the comparable period a year earlier.

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